

**REPORT OF THE AUDIT OF THE
FLEMING COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

June 17, 2003



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Foxworthy, Fleming County Judge/Executive
Honorable Jerry Wagner, Fleming County Sheriff
Members of the Fleming County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Fleming County Sheriff's Settlement - 2002 Taxes.

We engaged Ross & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC, evaluated the Fleming County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
FLEMING COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

June 17, 2003

**ROSS & COMPANY, PLLC
Certified Public Accountants**

**800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
FLEMING COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

June 17, 2003

Ross & Company, PLLC has completed the audit of the Sheriff's Settlement - 2002 Taxes for Fleming County Sheriff as of June 17, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$3,114,347 for the districts for 2002 taxes, retaining commissions of \$120,049 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,986,905 to the districts for 2002 Taxes. Taxes of \$2,526 are due to the districts from the Sheriff.

Report Comment:

The Sheriff Should Pay All Taxes Due The Taxing Districts

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Independent Auditor's Report

We have audited the Fleming County Sheriff's Settlement - 2002 Taxes as of June 17, 2003. This tax settlement is the responsibility of the Fleming County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.


In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Foxworthy, Fleming County Judge/Executive
Honorable Jerry Wagner, Fleming County Sheriff
Members of the Fleming County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Pay All Taxes Due The Taxing Districts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive, flowing style.

Ross & Company, PLLC

Audit fieldwork completed -
July 30, 2003

FLEMING COUNTY
JERRY WAGNER, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

June 17, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 539,842	\$ 506,031	\$ 1,182,987	\$ 449,898
Tangible Personal Property	43,100	39,801	96,932	98,153
Intangible Personal Property				27,173
Fire Protection	1,796			
Increases Through Exonerations	81	76	178	68
Franchise Corporation	47,857	44,358	107,931	
Additional Billings	1,153	1,061	2,583	968
Limestone, Sand, and Mineral Reserves	37	34	81	31
Penalties	5,199	4,870	11,387	4,462
Adjusted to Sheriff's Receipt	(18)	3	(29)	8
Gross Chargeable to Sheriff	<u>\$ 639,047</u>	<u>\$ 596,234</u>	<u>\$ 1,402,050</u>	<u>\$ 580,761</u>
<u>Credits</u>				
Exonerations	\$ 2,072	\$ 1,932	\$ 4,540	\$ 1,726
Discounts	8,173	7,625	17,893	8,354
Delinquents:				
Real Estate	9,051	8,486	19,706	7,494
Tangible Personal Property	115	107	263	327
Intangible Personal Property				
Uncollected Franchise	<u>1,400</u>	<u>1,292</u>	<u>3,188</u>	
Total Credits	<u>\$ 20,811</u>	<u>\$ 19,442</u>	<u>\$ 45,590</u>	<u>\$ 17,901</u>
Taxes Collected	\$ 618,236	\$ 576,792	\$ 1,356,460	\$ 562,860
Less: Commissions *	<u>26,563</u>	<u>24,514</u>	<u>44,763</u>	<u>24,209</u>
Taxes Due	\$ 591,673	\$ 552,278	\$ 1,311,697	\$ 538,651
Taxes Paid	590,698	548,847	1,354,292	537,831
Commission Refunds From School			(44,763)	
Refunds (Current and Prior Year)	<u>976</u>	<u>905</u>	<u>2,168</u>	<u>820</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (1)</u>	<u>\$ 2,526</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

FLEMING COUNTY
JERRY WAGNER, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES
June 17, 2003
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,747,887
4% on	\$	1,356,460

** Special Taxing Districts:

Ambulance District	\$	<u>2,526</u>
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Due Districts	\$	<u><u>2,526</u></u>
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The accompanying notes are an integral part of this financial statement.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS

June 17, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 17, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 17, 2003
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2002 through April 7, 2003.

Note 4. Interest Income

The Fleming County Sheriff earned \$854 as interest income on 2002 taxes. As of July 30, 2003, the Sheriff is due \$2 in interest from the school district and owes \$36 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Fleming County Sheriff collected \$15,643 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Fleming County Sheriff collected \$1,233 of advertising costs and \$685 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of July 30, 2003, the Sheriff owes \$1,233 in advertising costs to the county and \$685 in advertising fees to his fee account.

COMMENT AND RECOMMENDATION

FLEMING COUNTY
JERRY WAGNER, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

June 17, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Pay All Taxes Due The Taxing Districts.

As of Audit Date, July 30, 2003, the sheriff owed the taxing districts the following:

Ambulance District	\$2,526
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We recommend the sheriff pay all taxes due the taxing districts.

Sheriff Response:

OK.

Prior Year Comments:

- The Sheriff Should Publish The Annual Settlement

Sheriff Response:

Agrees.

This was corrected in the current year.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Fleming County Sheriff's Settlement - 2002 Taxes as of June 17, 2003, and have issued our report thereon dated July 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fleming County Sheriff's Settlement - 2002 Taxes as of June 17, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Pay All Taxes Due The Taxing Districts

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fleming County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.

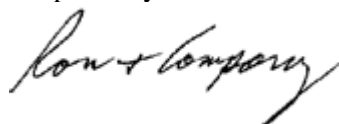
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", is written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -
July 30, 2003

